A TRUST COMPANY PLATFORM

FRANCIS H. SISSON

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FRANCIS H. SISSON
Vice-President
Guaranty Trust Company of New York
New York City

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A Trust Company Platform

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Now that the menace of war is past, we face the new menace of peace. The glory of martial victory is already tinged with the shadow of possible economic and political defeat. From the idealism and the sacrifice of consecrated and united effort we see a world-wide reaction to selfishness, greed, sectional and class interest.

As a possibly natural and inevitable reaction from the unprecedented coöperation and coördination demanded by the war and of the subordination of all selfish interest for the achievement of victory, there has developed the world over a pronounced class consciousness and activity. So today, we witness labor functioning as a class; we see the farmers organizing as a class, the shippers, manufacturers, and, in fact, practically every major element of our body politic each militant as a class. Each is seeking to protect and promote its class interest in some manner,

through some form of organization, political or economic in character, by propaganda, threat or influence.

In view of this far-reaching and rapidly growing movement, the thought quite naturally is suggested that the trust companies of the United States also organize and coördinate their common interests—not, however, from wholly selfish motives, but from the broad viewpoint of the economic welfare of the country, and, directly or indirectly, of all classes. In serving that larger interest will the trust companies best serve their own selfish interest. And, perhaps, thus they may help to awake the other factions and classes of our people to a realization of the fundamental truth that unselfish service is the most profitable self-service. If, as some philosopher has stated, the ideal state is one of balanced selfishness, possibly we owe a duty to the situation to help maintain that balance and, through the practice of enlightened selfishness, endeavor to render a greater service.

Our Political Creed

We have heard and read the multiplying platforms of laborites, socialists, suffragists, agriculturists, internationalists and of other organized classes, and I am tempted to propose a platform for the trust companies of America. As in the case of political platforms, I would follow the accepted method of "pointing with pride" and

"viewing with alarm" the state of the country. I would point with pride to the growth of the trust companies in influence and power of service, to the patriotic service they rendered during the hour of their country's need, to their loyalty to patriotic ideals and sound economic practices, to the fidelity with which they have performed their sacred duty to their clients and to their communities, to their ever increasing prosperity and widening influence.

I would view with alarm the governmental extension of trust powers to many unfit to discharge them, unworthy of the trust reposed upon them, to governmental interference with trust company activities and limitations upon their normal functions; to the many pressing national problems which vitally affect their interests, to the lack of strong and wise leadership, both in the political and the business world, to the shadows overhanging business generally, to widespread economic ignorance throughout the country and the fallacies growing out of it.

I would then, in logical manner, propose a platform of principles upon which we, as the trust companies of America, could take our stand and seek the political suffrage of our electorate.

The Menace of Autocracy

As the first plank in that platform, I should state that the basic principle which underlay our part in the world war was the destruction

of autocracy, and that that principle carries with it a larger significance than the mere dethroning of kings and the removal of royal dynasties. It was a war to preserve democracy and against autocracy in all its phases and places in our civilization. So today we should no more endure autocracy in Washington, for instance, than in Berlin; no more in labor councils than in capitalistic circles; no more among farmers than among bankers.

The Labor Plank

As a second plank in our platform, I would advocate just return, fair treatment and a proper voice in determining working and living conditions for labor. But I should also demand as much from labor and drive home to labor the fact that labor cannot expect these results unless it stimulates production and gives a fair day's work for a fair day's wage; that labor cannot prosper at the expense of the majority of our people; that it cannot prosper unless it puts its shoulder to the wheel and helps every other class to prosper; that labor will defeat its own purpose and bring hardship upon itself and all other classes so long as it permits the country to suffer from under-production.

How great this under-production has been might be illustrated by the fact that 1919 saw a reduced production as compared with the preceding year of 130 million tons of bituminous coal, 12 million tons of anthracite coal, 9 million

tons of steel ingots, 450,000 tons of copper, and largely reduced production in other basic industries.

I would indicate the decreased working efficiency of labor, as exhibited in the books of our industrial corporations, of the vast number of strikes and labor disputes arising during the year, with many still unsettled, of the constant increase in wage scales, now 72 per cent. higher than in 1907, and of decrease in the hours of labor, now 8 per cent. less than in 1907.

I would deny that "labor creates the world's wealth" and declare that the wealth of the world has always been created primarily by its intelligence, that it is the brain of man that leads in production, and not the brawn. I would deny any "inherent right to strike" on the part of labor concerned with the public service, and refuse to it any right to conspire to starve or destroy. I would maintain that the welfare of all the people is superior to any class, and decry labor's autocratic and ambitious political programme seeking to destroy those who refuse its dictates, and to elect its servants to office.

I would expose the fallacies of the so-called Plumb Plan to nationalize the railroads as the most outrageous demand organized selfishness ever proposed in this country, without basis in politics, economics or ethics, and would challenge labor to cite any instance of the success of such a plan in all economic history. Were capitalistic interests to propose such a plan or to undertake

a political campaign to impose it upon the people, there would probably be a revolution. Shall any other interest be allowed that privilege?

The Railroad Problem

The railroad problem would be treated in my next plank, which should direct the attention of Congress and the Interstate Commerce Commission—as an agency through which the forthcoming railroad legislation enacted by Congress will be administered—to the fact that in seeking a satisfactory solution of the transportation problem the paramount issue is not what the brotherhoods, the railway executives, the bankers, or the shippers want, but solely what the public *must* have, namely, soundly managed, sanely regulated, and efficiently, economically operated railroads.

The railroad plank in the trust companies' platform should make clear to all classes and interests that the continued prosperity of the nation is contingent upon the public obtaining that kind of service—and as soon as possible. The railroads must be allowed to earn enough to provide it. And in order to provide that service the railroads will be compelled not only to equip themselves efficiently but also to expand their facilities.

Adequate transportation cannot be obtained without credit; credit cannot be secured without fair earning power; earning power cannot be sufficient without fair rates and just regulation.

New capital can be attracted only upon the basis of adequate earnings and fair regulation assuring a return which will make railroad investments and operation attractive. Neither brains nor money nor labor can be commandeered into such service or obtained without fair compensation. I would point out that the railroads must have more partners and fewer creditors, more friends and fewer exploiters.

The Cost of Living

But if no other factor were considered by the public, the relationship of the railroad problem to the cost of living should arouse the keenest general interest and force satisfactory solution of the problem. There need be no fear of materially increasing the cost of living by allowing railroad capital a living wage, for increases in freight rates have but a slight effect on the general cost of living, as compared with other factors.

This is demonstrated, to cite only one specific example, by the fact that the item of transportation, computed from the shipping of a steer on a ranch to the selling of a pair of shoes in a retail store, enters into the cost of shoes only to the extent of twenty-five cents a pair. So, railway rates cannot be held responsible for the increase in the selling price of shoes which formerly retailed at $5 and now cost $12.

The average commodity value per ton of

freight carried by the railroads in 1919 was $119, as compared with $56 in 1914. The average freight charge per ton was $2.80 last year, as against $2 in 1914. The percentage of the carrying charge to the value of a ton of freight was 2.4 per cent., as contrasted with 3.6 per cent. in 1914. But the increase in the cost of the average ton of freight over that of 1914 has been $63, while the increase in the freight charges per ton has been only 80 cents, a mere pittance—and the relation of freight increase to cost increase has been only 1.3 per cent.

In other words, out of the average increase of $63 in the cost of a ton of freight in the five-year period of 1914 to 1919 only 80 cents was caused by increased freight charges.

These statistics unquestionably prove the negligible influence which transportation costs exert on commodity prices, and they certainly sustain the contention that a fair increase in freight rates would not materially increase the cost of living.

On the other hand, if adequate rates are not granted and the railroads are brought to the verge of bankruptcy, with the impaired service which such a plight would necessarily entail, the cost of living would inevitably mount still higher, because increased production—the only way prevailing prices can be reduced—would be impossible, due to decreased distribution facilities for raw materials; and even if possible, by virtue of some miracle, it would be in vain owing

to the lack of sufficient means for distributing additional finished products.

Economics, Not Politics

The railroad plank of our platform should emphasize the fact that Government operation of the carriers has been a failure—a very costly failure. But private ownership and operation from now on must be more successful than ever before. If we are to escape the disaster of having the roads revert to Government control and the triumph of such a scheme as the Plumb Plan, which would impose a tremendous tax burden on the nation—already too heavily taxed—for the especial benefit of about two per cent. of our people, there must be far better administration and operation of the railroads than the Government afforded and the roads had in the past. But, above all, the railroads must be given a fairer opportunity to serve the public more satisfactorily than they have ever before enjoyed.

Congress must provide adequate and just legislation; the Interstate Commerce Commission must permit living, not starvation, rates, and the Government must grant a loan sufficiently large to enable railroads to equip themselves properly to handle the commerce of the country. If these things are done, the investing public will provide the means for the needed expansion of railroad facilities in the future, because the capital required for such prospective

development will be attracted to the railroad business, and not, as today, driven away from it.

In brief, our railroad plank should insist upon having the railroads taken out of the field of exploitation and into that of sound economics. They present a business problem to a business people, and should be accorded a solution conceived and worked out in the same spirit as our banking system.

Proper Protection Abroad for Our Dollars

The trust company platform should advocate Government recognition of the fact that we cannot expect American dollars to seek employment and investment abroad unless they are accorded the protection of the American flag and the cooperation of the United States Government.

Our banks cannot afford the American people adequate foreign investment service unless they have the complete support and coöperation of our Government, and our investors in foreign securities have a right to demand the moral backing of our Government in protecting them. American lives and American property should be safe around the world.

I would have the American citizen able to stand as proudly as Paul of Tarsus before his persecutors, to whom he flung his defiant answer, "I am a Roman citizen," and to say with equal pride, in assurance of its protective power, "I am an American citizen."

A policy of economic and financial imperialism on the part of the United States Government, of course, should not be tolerated, for such a policy would inevitably lead sooner or later to political imperialism, and that would be fatal not only to our Government but also to the interests of our foreign investors. But the Government's moral support should be granted freely to our citizens legitimately engaged in developing the resources and industries of other countries by means of American capital and labor.

For Stable Government

Does any thinking American believe that the United States Government should withhold its moral influence in the interests of stable government anywhere in the world on the theory that we are not our brother's keeper? We entered the World War for the avowed purpose of making the world safe for democracy, but the world cannot be considered safe for democracy when anarchy or chaos prevails anywhere in the world. It will not be necessary to continue our military operations abroad, but our Government can continue its moral and economic fight for world-wide peace, even after the adoption of the final peace terms.

It is in this unselfish spirit, and not in behalf of "dollar diplomacy," that we should expect the United States Government to coöperate with and protect the interests of American foreign

investors. There are few better means for rendering economic assistance to mankind; for American capital invested abroad is performing the invaluable service of helping other peoples to help themselves—and that is as truly humanitarian work, in a broad, practical sense, as it is good business. It is even a patriotic duty, if we wish our flag respected in the commercial fields as it has been honored and victorious on the battlefields of Europe.

As a precursor to the development of foreign trade and international service, I would demand the conclusion of the Peace Treaty, without partisan bias, as a plain matter of business necessity and political sense. With the world's welfare hanging in the balance, I would not parley over personal differences or delay in pride of opinion a solution which will give the world a fresh starting point in the long journey back to the normal which lies before it.

Europe Must Share Responsibility

In facing the European situation, I would seek to make clear to Europe that America is glad and willing to lend a hand in helping Europe rehabilitate itself, but insist that the peoples of Europe bear their proper share of the burden and solve their political, financial, and economic problems in courageous, satisfactory manner, instead of accusing "heartless America" of being

"gorged with the fruits of victory and refusing aid to those who helped her win victory."

The peoples of Europe must face the facts and recognize that the reasons for their depreciated currencies are inflation, extravagance, unsound financial methods, failure to raise sufficient revenue by taxation to meet governmental expenditures, and adverse trade balances, as well as the reduced production and losses of war. They must appreciate the necessity for remedying these conditions, if they would have us continue our financial assistance on an adequate basis. Europe, in fact, must share the responsibilities, as well as the advantages and fruits, of such aid.

The Exchange Situation

The trust companies' platform should endeavor to impress upon the American people the full significance of the exchange situation and the barrier it creates abroad against our products —an invisible tariff that is higher than any tariff before the war.

The platform would point out to those who derive joy from this state of affairs, because Europe's increasing inability to buy our products at prohibitory prices may throw upon our home market quantities of goods that would otherwise be exported, and thereby reduce some prices temporarily, that they forget that a precipitate decline in prices of commodities generally would be disastrous; that a rapidly falling market for farm products, for instance, would mean de-

moralization in our agricultural industry, which is our basic industry, and that that would inevitably react unfavorably upon all business in the country. It would undermine confidence in the progress of trade and naturally lower production, slow down our industrial machinery, and cause wide-spread unemployment. Eventually we should find ourselves in a worse predicament by far than the existing one of high prices.

Greater production and less consumption afford the only true solution of the high cost of living problem. But, with a world-wide scarcity of all essentials, Europe must be enabled to increase her production vastly or there will not be enough of the necessaries of life to meet demands. And Europe cannot accomplish that feat unless she can obtain adequate quantities of food, fuel, raw materials, and machinery in this country, particularly during this critical period.

I would seek to impress upon our Allied friends who look to us that the emergencies of the hour call upon them for a display of the same splendid spirit which marked the French legions at Verdun when they defiantly held back the invaders with the determination voiced in that undying slogan "They shall not pass," and the English army, with its back to the wall, stubbornly guarding the channel ports. Peace demands its heroisms no less than war.

Demobilize Government in Business

Our platform should insist upon the demobilization of Government interest and activity in

business. But, as much as I am opposed to further governmental participation in industry, in foreign financing, and in extension of credits, it may be advisable eventually for our Government to reverse its present policy and make grants, through existing or newly created agencies, for financing our export trade, provided that such credits be expended in the United States for American products. This could be done without increasing our tax burden and without draining the investment market of capital needed in industry, if the Government would readjust its expenditures from a war to a peace basis; if the Government would set the example in thrift that it has preached to its citizens. This would prove an important supplement and aid to the extension of credits through private channels and the purchase here of sound foreign securities—the two means now being employed to help finance Europe's needs.

In addition to accelerating the rehabilitation of Europe and increasing productivity of essentials there, which would gradually and safely adjust prices along natural economic lines, such action would tend to preserve our own prosperity and to prevent a decrease in our own production and its attendant evils.

Conservation of Credit

Our platform would lay stress upon the imperative need for the conservation of our credit

resources and for the diverting of capital and credit from speculative, unnecessary ventures to legitimate, essential business. It should advocate the strictest economy on the part of the Government and the adoption of a proper budget system.

There is an unprecedented demand for money; there is only a limited supply. That supply must be used wisely to create new wealth, by promoting productivity; it cannot safely be dissipated, or even partly wasted, in speculative, unproductive or economically unnecessary ventures. The business men of the country must bear that in mind in seeking credit, and they must henceforth expect the bankers of the country to apply that standard in granting credits. It will be eminently to the ultimate gain of the business interests generally to coöperate fully with the bankers in maintaining that standard. But unless they do so, they must be prepared to face greater credit expansion, still higher prices, and, eventually, a crisis which may precipitate an unfortunate reaction.

I do not mean to imply that there is likely to be a serious business recession. There should be quite the contrary, if we wisely conduct our business affairs. But I do wish to emphasize the imperative need for the conservation of our credit resources, for the increased production of essentials, for economy, and for thrift. There is no need for legitimate, essential business to retrench. On the contrary, there is every reason

why it should expand to the extent of meeting economic demands. But it cannot do this if unessential enterprises or activities are permitted to drain the reservoir of credit and capital.

Must Lighten Tax Burden

In our proposed platform, the trust companies should strive to make Congress realize that if we are to speed up industry to the productive capacity demanded in this critical period, the unjust and onerous taxation now imposed on business interests and capital must be lightened. To continue during peace times the taxation of business profits on a war basis will inevitably injure business and industry beyond reparation.

The claims of labor cannot be satisfied if business is to be indefinitely burdened as at present with taxes so high as to penalize and retard production. Nothing can help solve the present unstable social conditions better than largely increased production, but business concerns cannot be expected to accept the hazards of extensive expansion and at the same time pay to the Government a large portion of their profits in the form of excess profits and income taxes.

Moreover, our high taxes militate against the expansion of our foreign trade, which at this time is so important to the future prosperity of our industries. The high rates for money which are demanded by the investor because of heavy taxation, deter the opening of commercial credits

and the free investment in foreign securities. In fact, our own industries are precluded from financing by bond issues, except at excessive rates, which overcome, in a measure, the tax of the individual investor, and they have recently favored the raising of capital by the issue of preferred stock which is less expensive. The high rate of return on such stock also is proving attractive now to investors who formerly would invest only in high-grade bonds, thus demonstrating that high rates of taxation are inclined to cultivate speculative tendencies, rather than encourage caution and thrift. And even with the inducement of high return, capital has been, to a considerable extent, diverted from investment in industries to investment in securities which are exempt from tax.

Great Britain has recognized the necessity of such reform, and in the last budget there was included a provision for a 50 per cent. reduction of the war profits tax. In introducing this budget, the Chancellor of the Exchequer stated, in effect, that the existing high tax deterred enterprise, industry, and development. The statement of the Chancellor can be applied with equal force to American industry.

Repeal Excess Profit Tax

One of the most urgent reforms in our present system of taxation is the repeal of the excess profit tax. This tax, in its present form, though

probably justifiable as a means of raising revenue for the prosecution of the war, is both unscientific in principle and economically unsound. Although this tax is in the form of a direct tax on profits, it is, in effect, a most unsatisfactory commodity tax. A manufacturer or merchant or other business concern subject to the tax is required to estimate in advance the amount which he is compelled to add to the selling price of the commodity and to pass the same on to the ultimate consumer, in order to protect himself against the heavy imposition. Because of the uncertainty of the determination of the tax, owing to the intricacies and complexities of the law, a business concern is apt to overestimate, rather than underestimate, its liability. In doing this, it becomes an unintentional profiteer in protecting itself from an undue usurpation of its earnings. If we abolish the excess profits tax, we undoubtedly will eliminate a potent factor in the existing high cost of living.

Based on the estimates of the Administration, approximately 35 per cent. of the cost of the war has been borne by current taxation. This is a greater amount than the original program called for, and is due largely to the ease with which the legislative body may increase the rates of taxation on incomes without realizing the ultimate effect of the high assessment. To continue to raise such enormous sums of revenue by means of an assessment on incomes will place a greater burden on posterity by impeding the industrial

growth of the country than would the passing to them of a larger contribution to the war debt than is now contemplated.

The entire elimination of a tax on income is, of course, not to be considered, as income taxes must be recognized to have become a permanent part of our Federal revenue system. Such taxes, however, must be kept within reasonable limits, and where revenue is needed beyond an amount which may be properly and logically raised by this means, other sources of taxation should be considered. Unquestionably, our present rates of tax are unduly oppressive to business, and, if the amount of revenue now estimated to be necessary to keep our Government functioning must be forthcoming, other methods of taxation should be adopted. To retain taxes so injurious to our economic welfare is absolutely unjustifiable and immediate remedy should be afforded by Congress.

Fair Treatment for Utilities

Finally, the platform of the trust companies should demand that State and local authorities accord public utilities fair treatment and not expect to get greater and better service from them while denying them a living wage for that service, while compelling the transportation lines, for instance, to operate on a two and a half cent nickel basis.

In too many cases public officials, supported

by an uninformed and frequently by a perhaps purposely inflamed public opinion, have refused to consider the need for revising franchise restrictions. They seem to ignore the fact that these maximum rates were written into the franchises in periods of more or less static prices, and that when a price upheaval, such as that occasioned by the war, occurs, and reduces by 50 per cent. the purchasing power of money, there should be, in all justice, such a revision in franchise restrictions as would enable the utilities to cope with the new conditions. Instead of taking a broad-minded position, many municipal authorities in the words of Mr. Edison, "choose to take their pound of flesh," forgetting what the future penalties of their action may be in the way of decreased service.

Business opportunity means nothing unless we have coupled with it political intelligence which makes it possible of full realization. We look into our own city here, and we discuss the cost of transportation and the economic problems that are involved in public utility problems generally, but of what good is the understanding of the economic problems if we have sitting in legislative and administrative halls a degree of political intelligence that absolutely nullifiies it, which defies economic law, which refuses to recognize cost of production and cost of service as a basis of price?

We must consider more than the earning power, or franchise terms, or business oppor-

tunity, or the trade development that may follow in any given field; we must consider the political angle which, sooner or later, in our form of government, determines the value upon which any security rests.

We see rising up all over the world a tide of radicalism, which has affected every form of business opportunity and business service; and unless we, as business men, attempt to understand and interpret, and, by the grace of God, guide that radicalism into right channels, it will affect the fundamental values in which we all deal.

We cannot expect to take our position in the economic world unless we put into political halls the same kind of intelligence that enters into our business organization.

The political angle is having a very important effect upon our business future, and we, as business men, should study that angle and have intelligent opinions about it, and be able to vote, through our duly accredited representatives, intelligently, that our business may be protected and conserved.

Trust Companies' Greatest Opportunity

The trust companies of the United States should finally resolve to do all in their power to help make the public understand these great economic problems and stimulate a demand for a sound, satisfactory solution of them. That should be the motive for and guiding spirit of

the closer and more unified coöperation of the trust companies of the country. They have a very important economic function to perform in our modern civilization. They also have an equally important educational mission before them, and they have in common with other financial institutions the greatest opportunity in their history to perform an invaluable service to the public. Let us seize that opportunity and make the best of it—for the sake of enlightened selfishness, a selfishness that is served best when it serves others most.

The trust companies of America should realize that they face not only a great opportunity, but a great duty in this hour, a duty to preserve the ideals and to protect the principles upon which this nation was built, and for which her sons have died. I have stood on the battle fields and in the American cemeteries of France and seen those long lines of white crosses pointing to the sky, marking the sacrifice which we made that the world might be better and civilization not be destroyed. It is inconceivable to me that the sacrifices that we have made for liberty, democracy and justice among men shall have been made in vain, or that we shall ever "break faith with those who have died" in Flanders' fields and in Picardy.

Sacrifice for the World

We did not make this sacrifice for ourselves alone, but for a world in need. How far that

vision of the future was foreseen by our great American prophet whose birthday we celebrated so recently, when on the battle field of Gettysburg President Lincoln called upon the nation solemnly to resolve that the sacrifices made there should not be in vain, and that government of the people, for the people and by the people should not perish—he did not say "should not perish from the North," or "from the South" or "from the United States," but "from the earth."

To that high resolve I would call the trust companies of America today, to rededicate themselves to their country's service, to see the vision of our country's future through the eyes of its great poet, realizing that

"Humanity with all its fears
With all its hopes of future years,
Is hanging breathless on thy fate!
Our hearts, our hopes are all with thee,
Our hearts, our hopes, our prayers, our tears,
Our faith triumphant o'er our fears,
Are all with thee, are all with thee."

Democracy faces its great test. The future of civilization, its rise or its fall, depends in large measure upon us, the leaders in its thought and affairs. This is not, then, an hour for despair, but an hour for determined effort, courage, wisdom and patience. In a faith triumphant

over our fears, may the trust companies of America take their forward and proper place in the battle lines of peace, confident in the merit of their cause, in the strength of their endeavor, in the triumph of the right.